

Residents of Los Angeles County are deeply concerned about the harmful effects that high-cost payday, car title, and installment lending practices are having on the working families. In California, there are approximately 2,000 of these high-cost payday lending storefronts, making more than \$4.17 billion in triple-digit interest rate loans to Californian families each year, and draining more than \$500 million in payday loan fees and more than \$200 million in car title loan fees every year from our communities. The hundreds of millions of dollars paid in payday loan fees is draining economic resources from our communities and leading to a net loss of \$135 million in economic activity and loss of 1,975 jobs in the state. There are almost 800 of these loan outfits in our local community promising “easy credit” only to hurt borrowers with annual percentage rates upwards of 100 to 400%, and loan terms that often trap people in a cycle of high-cost debt.

The nation’s Consumer Financial Protection Bureau (CFPB) was created after the 2008 economic crash to make sure that unethical lending practices do not create such a crisis again. The CFPB found that during a 12-month period, borrowers took out a median of 10 loans, and more than 80% of loans were rolled over or renewed within two weeks. Furthermore, borrowers who take out 11 or more loans each year account for roughly 75 percent of the fees generated. We see a crisis in our community and we

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need action at the federal and state levels to enforce fair consumer lending standards in California.

On June 2, 2016, the CFPB issued a proposed national rule meant to eliminate abusive payday and car title lending. We applaud the CFPB for this historic move to protect our communities. The proposal gets the fundamentals right by establishing an ability-to-repay principle at the core of the rule, based on a consumer's income and expenses. However, the proposal does exempt six high-cost payday loans from an ability-to-repay requirement altogether and could be stronger on enforcement of debt trap prohibitions and bans in states with strong usury caps.

The public has until October 7, 2016 to write to the Bureau's Director to support their efforts evidenced in the proposed rule. While the CFPB cannot issue a national usury cap, it can issue a strong payday rule free of loopholes that would bolster state law by requiring that for all loans, without exception, the lender must assess the potential borrower's ability to repay the loan based on the person's income, existing obligations, and living expenses. The CFPB can also declare any violation of state law, such as the marketing of illegal loans or applying usurious interest rates, as an unfair, deceptive, and abusive act or practice.

I, THEREFORE, MOVE THAT THE BOARD OF SUPERVISORS direct the Chief Executive Officer to work with the Director of Consumer and Business Affairs to prepare a five-signature letter to the Director of the Consumer Financial Protection Bureau supporting CFPB's outstanding efforts and urging them to take action this year to enact rules that:

- 1) Require the lender to determine the borrower's ability to repay the loan, including consideration of income and expenses, with no exceptions;
- 2) Do not sanction any series of repeat loans or provide any safe harbor of poorly underwritten loans;

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- 3) Establish an outer limit on length of indebtedness that is at least as short as the FDIC's 2005 guidelines – 90 days in a twelve-month period;
- 4) Restrict lenders from requiring a post-dated check or electronic access to a borrower's checking account as a condition of extending credit;
- 5) Limit the annualized percentage interest rates of the loans to 36% or less.

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